

Anthony Mungall
Deputy Director, ET sector
Ofgem
Commonwealth House,
32 Albion St,
Glasgow
G1 1LH

Your ref

Our Ref

Date

28th February 2022

Contact / Extension

07894 817291

Dear Anthony,

Consultation on the closeout methodologies for RIIO-ET1

Please find enclosed our response to the consultation on the closeout methodologies for RIIO-ET1, issued on the 31st January 2022. We have included detailed responses to the specific questions raised by the consultation in the accompanying Appendix 1, with the key points which we would wish to raise outlined below.

Chapter 3 - Connection Assets Activity

With regard to the true-up of entry (& exit) connections activity, this is supported by SP Transmission as it is in the interests of both existing and future consumers. Our considered position remains that this true-up will be required to deal with both totex (not simply contributions) and revenues. This would ensure that there is clear line-of-sight between original baseline allowances and actual expenditure/ revenues during the RIIO-ET1 price control period.

Chapter 8/9 - Crossover Projects (without Volume Driver)

We welcome and support the points set out in Chapter 1 whereby Ofgem, "...will seek to ensure ETOs are kept whole for efficiently incurred expenditure outside T2 allowances", which is also set out in Chapters 8 and 9 specific to NGET and SHET, respectively. In circumstances where projects are assessed as 'cost efficient' and successfully delivered, we agree that they must, "...receive funding for the agreed total efficient costs for these projects, regardless of what is actually spent in T1 or T2." It is our view, however, that this rationale applies equally to all TO's. As such, SPT, respectfully, request Ofgem's agreement to make a submission on a similar basis as NGET (& SHET) as noted under the relevant clauses within the consultation document.

This area also raises an important wider point in relation to projects that cross price control boundaries. It is our view that further clarity is required in order to deal with efficient costs and allowances related to such projects, to ensure fair, consistent and objective treatment in future and to cater for different scenarios. This must be part of an enduring outcome of a cost assessment process that is focused on determination of the **total efficient cost** of a scheme/ project - as was the case for RIIO-ET2.

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In our response we have also requested inclusion of one further area where expenditure has been incurred due to third party interventions and no funding was provided at the onset of RIIO-T1. This is set out in detail in our associated Annex, under 'Chapter 16 Next Steps'.

We have previously engaged with Ofgem, prior to the publication of this consultation, and would welcome your consideration of our response. We look forward to further engagement as part of the performance submission that will be made by TO's on 30th April 2022. If you have any queries on our response, please do not hesitate to contact either myself (number as above) or Gordon MacDonald on 0141 614 1791.

Yours sincerely,



Kirsty Scott
Head of Totex and Outputs
Network Planning & Regulation

Attachments

Appendix 1 Consultation on the closeout methodologies for RIIO-T1 – SPT Response
(T1 Close-out Consultation 310122.pdf)

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